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 Club One Acquisition Corp.

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

FRESNO DIVISION

In re

CLUB ONE ACQUISITION CORP.,

Debtor.

Case No.: 15-14021-B-7

Chapter 11

DC No. N/A

**DEBTOR'S CHAPTER 11 STATUS
 CONFERENCE STATEMENT**

Date: December 2, 2015

Time: 2:30 p.m.

Judge: Honorable René Lastreto, II

Ctrm: U.S. Courthouse

Department B, 5th Floor

2500 Tulare Street, Courtroom 13

Fresno, CA 93721

CHAPTER 11 STATUS CONFERENCE STATEMENT

TO THE HONORABLE RENE LASTRETO, II, UNITED STATES BANKRUPTCY JUDGE:

CLUB ONE ACQUISITION CORP. ("Debtor") provides the following status
 conference report, and represents as follows:

A. Background of Events Leading to Chapter 11:

1. Debtor filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code on
 October 14, 2015.

2. The background and history of Debtor and its wholly-owned subsidiary, Club
 One Casino, Inc. ("COCI") are thoroughly detailed COCI's Chapter 11 Status Report. There

1 are many reasons that the Debtor was forced to file a Chapter 11 petition along with COCI,
2 including protracted litigation with former Club One Casino owners George Sarantos and
3 Elaine Long, continued softness in the local economy, changing consumer tastes, certain
4 negative industry developments, and most significantly, the expansion of a competing card
5 room, the 500 Club Casino, by persons related to and affiliated with George Sarantos. The
6 immediate precipitating event was a pending motion to appoint a receiver by Sarantos/Long
7 not only over the assets of Debtor, but over the operations of COCI. This effort, taken without
8 regard to the extensive licensing requirements and practical concerns for COCI's continuous
9 operation and compliance requirements, would have effectively shut down COCI's operations,
10 depriving Debtor of its sole asset. After extensive discussions to reach a settlement with
11 Sarantos and Long failed, the Chapter 11 case was filed to gain the protection of the automatic
12 stay, and resolve the debtor-creditor issues of Debtor and its subsidiary, rather than allow the
13 casino business to be shutdown by the actions of Sarantos and Long.

14 **B. Debtor's Intent With Respect to Plan of Reorganization.**

15 3. Debtor is currently formulating its Chapter 11 Plan and anticipates that it will be
16 able to file a Plan and Disclosure Statement within the next 60 days. Debtor's Plan will
17 depend to a large extent on the valuation of COCI. If a valuation shows that there is equity in
18 COCI, then COAC will be in a position to capture that equity for the benefit of its creditors. It
19 is Debtor's understanding that COCI is contemplating the preparation of such valuation and
20 will soon engage professionals for that purpose.

21 **C. Other Matters Pursuant to Court Order Setting Status Conference:**

22 4. **Motions for Relief from Automatic Stay:** No motions for relief from stay
23 have been filed in Debtor's Chapter 11 case, and Debtor does not believe there are grounds for
24 one to be filed.

25 5. **Motions under 11 USC Section 365(d)(3) and (4):** No motions under 11
26 U.S.C. Section 365(d)(3) or (4) have been filed. Debtor does not have any non-residential real
27 property leases that will need to be assumed under the Bankruptcy Code.
28

1 6. **Use of Cash Collateral:** Debtor did not file a Motion for Use of Cash
2 Collateral because it does not engage in any business activity that requires use of cash
3 collateral.

4 7. **Employment of Professionals:** Debtor seeks to employ Belden Blaine Raytis,
5 LLP ("BBR") as attorneys for Debtor. The United States Trustee filed an objection to BBR's
6 employment and the Application and objection have been set for hearing on December 8, 2015,
7 so that the matter may be brought up concurrently with COCI's pending employment
8 applications. Debtor contemplates employing an accountant within the next thirty days and is
9 currently in the process of employing Dowling Aaron to assist in the prosecution of a pending
10 matter against 500 Club Casino and the Milbank firm in connection with an appeal of a
11 decision in matters against Long and Sarantos in New York state court proceedings. Those
12 applications will be filed within the next few weeks.

13 8. **Motions to Dismiss or Convert:** On November 20 and 21, George Sarantos
14 and Elaine Long have filed Motions for Abstention, Dismissal or Appointment of Chapter 11
15 Trustee against Debtor and COCI. These motions are set for hearing on December 22, 2015.
16 Sarantos and Long have also filed a Motion for Substantive Consolidation set for the same day.
17 Debtor does not believe that grounds exist for granting any of the requested relief and intends
18 to oppose the motions filed by Long and Sarantos. Because resolution of these motions will
19 require extensive evidence and testimony, Debtor filed an Ex Parte Application to modify the
20 briefing schedule in connection with the motions. To date, the Court has not ruled on the Ex
21 Parte Application.

22 9. **Administrative Matters:** The Initial Debtor's Interview was held on November
23 12, 2015 and the Meeting of Creditors was held on November 18, 2015. Debtor has provided
24 the documents requested by the United States Trustee; however, it intends to file an
25 Amendment to its Schedule F and its Statement of Financial Affairs to correct some
26 deficiencies with the documents originally filed by Debtor. Specifically, Debtor intends to
27 amend its Schedule F to decrease the obligation to COCI from about \$2.7 million to
28 \$565,693.03. The instructions regarding calculation of the initial amount were incorrect, and

1 upon review, the amount was recalculated and the Schedule F will be amended accordingly.
2 Also, Debtor inadvertently did not reflect that it was a party to the New York state court action
3 and its Statement of Financial Affairs will be amended to include that litigation. These matters
4 and potential amendments were discussed at Debtor's 341 meeting.

5 10. Debtor has prepared and intends to file its October 2015 monthly operating
6 report on November 25. Debtor has not opened its debtor in possession account as of today but
7 will do so within the next week and will provide signature cards to the United States Trustee.

8 11. **Other Matters.** None.

9 Dated: November 25, 2015

BELDEN BLAINE RAYTIS, LLP

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11 By: 

T. SCOTT BELDEN, Proposed Attorneys
for Club One Acquisition Corp.